

UNDER THE LETTERHEAD OF TGS ROMANIA

SOCIETATEA NAȚIONALĂ A SĂRII BUCUREȘTI INCOMING DOCUMENT No. 3069/27 Aprilie 2021
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## INDEPENDENT AUDITORS REPORT

To the shareholders of  
SOCIETATEA NAȚIONALĂ A SĂRII S.A.

### Our opinion

1. We have audited the individual financial statements (attached) of Societatea Națională a Sării S.A. (hereinafter referred to as "Company"), having its registered office in Bucharest at Str. Calea Victoriei nr. 220, sectorul 1, București, taxpayer ID 1590430, which include the status of its financial position as of 31 December 2020, the report on the global result, the changes in equity and the cash flow statements for the financial year ended on that date, as well as a summary report on the significant accounting policies and the explanatory notes.
2. The individual financial statements as at 31 December 2020 indicate the following:

Net assets/total equity:	453,044,025 lei
Net result of the financial year - profit	11,481,766 lei
3. In our opinion, except for the issues specified in the section titled *Basis of our qualified opinion*, the attached individual financial statements provide a true and fair view, under all significant aspects, of the Company's financial standing as at 31 December 2020 and its financial performance and cash flows related to the financial year concluded on that specific date, as per Order No. 2844/2016 of the Ministry of Public Finance to approve the IFRS-compliant Accounting Regulations ("OMFP 2844/2016").

### Basis of our qualified opinion

4. The predecessor auditor expressed an opinion about the limitation of his scope of work to the just value of the tangible assets, because the said auditor could not draw a conclusion upon the adequacy of the evaluation method which the Company applied as at 31 Dec. 2017 for its class of buildings and special constructions, but also considering the failure to run the additional impairment tests as at 31 Dec. 2019 on the cash-generating units that could have indicated the possible presence of impairment.

According to the details disclosed in Note 4.1, the tangible assets of the Company were revalued as at 31 Dec. 2020 by an independent authorised evaluator, more specifically a net growth of the value of the tangible assets by 46,082,652 RON (54,853,706 RON revaluation reserves, 5,598,738 RON revaluation income, 14,369,792 RON revaluation expenditures) and a deferred tax of 8,712,571 RON. Considering the particular circumstances of the year 2020, which was impacted by the pandemic, we consider that these revaluation differences could reasonably be the revaluation of the tangible assets as at 31 Dec. 2019, with a corresponding

impact upon the value of the tangible assets and equities at that particular date, so therefore the qualification of the predecessor auditor has now been solved.

5. We conducted our audit in accordance with the International Audit Standards ("IAS"), Regulation (EU) No. 537 of the European Parliament and the Council (hereinafter referred to as the "Regulation") and Law No. 162/2017 (hereinafter referred to as the "Law"). Our responsibilities based on these standards are described in detail in the section titled "Responsibilities of the auditor when auditing financial statements" in our Report. We are independent from the Company, according to the Ethical Code of the Professional Accountants issued by the International Ethics Standards Board for Accountants (the IESBA code) as per the ethical requirements that are relevant to the audit of the financial statements in Romania, including the Regulation and the Law, and we handled our ethical responsibilities as per these requirements and according to the IESBA code. We believe that the audit evidence we have obtained is sufficient and proper to supplying a basis for our opinion.

### Highlighting certain issues

6. May we draw your attention on Note 18.1 Incomes și Note 18.2 Changes in inventories that present an additional analysis of the correct classification of the proceeds from sales of goods and their related expenditures, which should have been included in the global result report. Our opinion does not contain a reserve about this issue.
7. We are also drawing your attention on Note 32.2 Contingent liabilities that describes the current status of the legal disputes that the Court has against the Court of Accounts and ANAF (the tax authorities) over the way in which the Company had calculated and posted the royalties over 2010 - 2012 and 2010 - 2013. Considering the nature of the dispute with the Court of Accounts and the different decisions of the Supreme Court, the Company may not establish the probability of certain potential actions and additional amounts that could be eventually be charged on the Company. Consequently, the Company considered that this issue was a contingent liability according to IAS 37 Provisions, contingent liabilities and contingent assets and disclosed the corresponding details in the financial statements. Our opinion does not contain a reserve about this issue.

### Key audit issues

8. Key audit issues are those matters that, based on our professional reasons, were the most important to the audit of the financial statements of the current period. All of these issues were studied in the context of the audit of the financial statements as a whole and we studied them in order to generate an opinion, and we are not providing a separate opinion about these key-issues.

Apart from the issues described in paragraph 4 *Basis of our qualified opinion* and paragraphs 6 and 7 *Highlighting certain issues*, we considered the following as key issues:

Key audit issues	Approaching the key issues
a) provisions for litigation	Our audit procedures included <i>inter alia</i> :

Key audit issues	Approaching the key issues
The Company is involved in a number of litigations with business partners, authorities and employees, so there is a risk of future economic losses.	✓ The analysis of the lawyers' answers to the confirmation letters requested by the auditor;
The decision to post a litigation provision or to present a contingent liability involves professional judgement/reasoning and certain estimates made by the Company management.	✓ Discussions with the Company's legal advisors on the status of the significant litigations in which the Company is involved;
	✓ The critical analysis of the assumptions and the of the estimates done by the Company about the litigations, including the value of the provisions disclosed in the financial statements and of the contingent liabilities posted in the books; Involvement of our legal experts to analyse and evaluate the major legal disputes;
	✓ The analysis of the minutes of the meetings of the Board and General Assembly of the Shareholders, of other relevant correspondence that the Company exchanged with external lawyers in reference to major court cases, available during the audit;
b) IT & MIS systems	Our audit procedures included <i>inter alia</i> :
The Company does not have an integrated financial system and the Company branches use a number of different systems and IT applications which calls for additional reconciliations and manual checking that involve high risks of errors or omissions.	✓ Understanding the IT environment, the architecture of the systems involved in financial reporting and the general IT checking;
	✓ Reconciliation of the date from various sources;
	✓ Running detailed procedures, analytic review and extensive balance confirmation procedures.

### Other information - management report

9. The management has the responsibility to prepare and present other information. This "other" information covers the Management Report, which includes the non-financial statement, but not the financial statement and the auditors' report on them.
10. Our opinion about the financial statements does not cover this "other" information and - except for the case where explicitly mentioned in our report - we do not express any assurance conclusion about that matter.

11. About the audit of the financial statements for the FY ended on 31 Dec. 2020, our responsibility is to study that other information and, by doing so, to estimate whether that information are significantly inconsistent with the financial statements or with the knowledge we acquired during the audit or if they seem to be materially misstated.
12. In what concerns the Management Report, we have read and report whether the said Report has been prepared in all of its significant issues, in accordance with the information specified under point 15-19 of Order N° 2844/2016 of the Minister of Public Finance, exclusively based on the activities that must be conducted while auditing the financial statements, in our opinion:
  - a) The information presented in the Management Report for the FY covered by the financial statements match in all the significant aspects, the financial statements:
  - b) the Management Report was prepared in all of its significant aspects, in accordance with points 15-19 of Order N° 2844/2016 of the Minister of Public Finance.

In addition to that, based on our knowledge and understanding of the Company and its business environment, that we acquired while auditing the financial statements of the FY ended on 31 Dec. 2020, we were asked to report whether we have identified material misstatements in the Management Report. There is nothing to report on this particular matter.

#### **Responsibilities of the management and persons in charge of governance for the financial statements**

13. The management is responsible for preparing and presenting a true and fair view of the financial statements in accordance with Order No. 2844/2016 of the Minister of Public Finance and is also responsible for the internal audit which the management considers necessary in order to allow for the preparation of financial statements that should not contain any significant misstatements that could be caused by fraud or error.
14. When preparing the financial statements, the management is responsible for evaluating the Company's capacity to continue its business, while presenting - if necessary - the issues referring to the going concern and using the going-concern principle as a basis for accounting, except for the case where the Company wishes to either wind up the Company or discontinue its operations or has no other realist alternative apart from that.
15. Persons in charge of governance are responsible for the supervision of the Company's financial reporting process.

#### **Responsibilities of the auditor when auditing financial statements**

16. Our purposes are to (1) get reasonable reassurance about the extent to which the financial statements - upon the whole - are free of any material misstatements caused by either fraud or error, and (2) issue an auditor's report that includes our opinion. The reasonable assurance involves a high level of assurance, but is not a guarantee of the fact that an audit conducted according to IAS will always detect a material misstatement, if any. Such misstatements may be caused by fraud or error and are considered material if it can be

expected reasonably that they will either individually or jointly influence the business decisions that user would make based on these financial statements.

17. When performing an IAS-compliant audit, we use professional reasoning and maintain the professional scepticism all along the audit procedure. Also:

- ✓ We identify and evaluate the risks of material misstatement associated to the financial statements caused by either fraud or error, we design and implement audit procedures in response to the respective risks and we provide audit evidence sufficient and proper to building the basis of our opinion. The risk of failure to detect a material misstatements caused by fraud is higher than the risk of failure to detect a material misstatements caused by an error, since fraud may involve collusion, forgery, voluntary omissions, misrepresentation and avoidance of internal audits.
- ✓ We do understand to run an internal audit which is relevant for the overall audit mission, in order to design audit procedure that are adequate to the circumstances, but without having the purpose to express an opinion about the efficacy or Company's internal control.
- ✓ We evaluate the adequacy of the accounting policies and the reasonable character of the accounting estimates and of the information provided by the management.
- ✓ So we prepare a conclusion about how adequately the management used the accounting based on the going concern principle and we establish, based on the audit evidence we get, if there is any significant uncertainty about certain events or conditions that could generate material doubts over the the Company's capacity to continue its business. If we conclude that there is a material uncertainty, we need to draw the attention in the auditor's report upon the disclosures made in the financial statements or, if such disclosures are improper, to amend our opinion. Our conclusions are based on the audit evidence obtained by the time when the auditor wrote its report. In spite of all that, the future or conditions may cause the Company to stop conducting its business based on a the going concern principle.
- ✓ We evaluate the presentation, structure and general content of the financial statements, including the disclosures of information, and the extent to which the financial statements reflect the transactions and the underlying evens in a way that generates a true and fair view.

18. We will also report to the persons in charge of governance, about *inter alia* the planned areas and the audit calendar, as well as the main audit findings, including any material deficiencies of the internal audit, which we can identify during the audit.

19. Also, we supply to the persons in charge of governance an affidavit in which we state that we complied with the relevant ethical requirements about our independence and that we notified them of all relations and other issues that may be reasonably expected to affect our independence and [affidavit] in which we also describe the related protection measures, if any.

20. Of all the issues that we have communicated to the persons in charge of governance, we

establish those issues that were the most relevant during the audit for the financial statements of the current period and, therefore, they are considered, key audit issues. We describe these issues in our audit report, except for the cases where the law or regulations prevents public presentation of the respective matters or the where, in extremely rare circumstances, we consider that a certain issue should not be disclosed in our report because it is reasonably expected that - for the sake of the public interest - the negative consequences of such disclosure may be larger than the benefits.

### **Report on other legal provisions and regulations**

21. We were assigned by the General Meeting of the Shareholders under its Decision No. 18/24 Nov. 2020 to audit the financial statements of Societatea Națională a Sării S.A. for the following FYs: the FY concluded as at 31 Dec. 2020 and those that will be concluded on 31 Dec. 2021 and 31 Dec. 2022. The uninterrupted duration of our mission is 1 year, covering the financial year concluded as of 31 Dec. 2020.

### **We hereby confirm that:**

- ✓ Our audit opinion is compliant with the additional report that is presented to the Company's Audit Committee, which we issued on the same date when the report was released too. Also, during our audit, we kept our independence to the audited entity.
- ✓ We did not provide to the Company the forbidden non-audit services that are specified in Article 5, paragraph (1) of Regulation (EU) No. 537/2014.

Bucharest,  
27 April 2021

*Illegible signature*

Christodoulos Seferis

Registered in the Public Electronic Register of ASPAAS under No. AF158

For and on behalf of TGS Romania Assurance and Advisory Business Services SRL registered in the Public Electronic Register of ASPAAS under No. FA91

Stamp:

Authority for Public Supervision of Statutory Audit Activities (ASPAAS)

Audit company: TGS Romania Assurance and Advisory Business Services SRL

Public Electronic Register N° FA91